Message from the Secretary Treasurer

Greetings from ABA!

I am pleased to present the April 2018 issue of the ABA Newsletter to all our colleagues in the banking and finance sector.

This issue features a report on the just-concluded ABA Planning Committee Meeting held in Maldives on March 8 which conducted in-depth discussions on the preparations for the 35th ABA General Meeting and Conference as well as ABA's Work Program and planned activities in 2018. In addition, we would also like to share featured articles regarding the recent policies of central banks and cyber risk exposure, latest news on ABA members as well as highlights on the banking industry in the Asia-Pacific region.

We hope that you will find the articles included in this Newsletter of great value, and look forward to your contribution to and comments on the future issues of the Newsletter.

Best Regards

Ernest Lin
Secretary-Treasurer

Table of Content

Table of Content

General Meeting and Conference

The 35th ABA General Meeting and Conference to be Held on November 15-16 in Maldives

The Asian Bankers Association (ABA) is pleased to announce that this **year's 35th ABA General Meeting and Conference** is scheduled to take place on **November 15-16, 2018** at **Kurumba Resort** in **Maldives**. The dates and venue were confirmed by the ABA Planning Committee during its recent meeting held on March 8 in Maldives.

To be hosted by **Bank of Maldives** under the theme **"Banking in Asia: The New Frontier"**, the two-day event is designed to provide another valuable platform for ABA members to meet and network with each other, as well as to exchange views with invited experts on: (a) current trends and developments in the regional and global markets that are expected to have a significant impact on the banking and financial sector of the region, and (b) how industry players can address the challenges - and take full advantage of the opportunities - presented by these developments.

The March 8 Planning Committee Meeting was presided by ABA Chairman **Mr. Daniel Wu**. It was attended by 18 representatives of 6 banks from 7 countries, including Austria, Iran, India, Maldives, Republic of China (Taiwan), and Vietnam.

Mr. Andrew Healy, Managing Director and CEO of Bank of Maldives, warmly welcomed the meeting participants and thanked them for attending the meeting. He expressed his appreciation to the ABA for accepting the offer of Bank of Maldives to host the 2018 annual conference of the Association. He said that it was certainly a great honor and privilege for Bank of Maldives to take the lead in organizing this important event, especially in light of the fact that it will be the first time that the annual gathering of the ABA will be held in Maldives.

Mr. Healy stated that Bank of Maldives will do its best – and with the support and guidance of the Planning Committee, the ABA Board of Directors, the ABA Secretariat, as well as the government of the Republic of Maldives - to match the excellent arrangements and high standards set by the Conference hosts of previous years.

Mr. Healy said that the 2018 Conference is expected to focus on the future direction of

banking in Asia, and that Bank of Maldives look forward to playing its part while showcasing what the banking sector and the country have to offer. He also expressed his hopes that the Maldives Conference will serve as an occasion for bankers from Maldives to meet and network with their colleagues from other Asian countries, and share information with each other on the investment and business opportunities that Maldives and other ABA member countries have to offer.

ABA Chairman Mr. Wu thanked Bank of Maldives and its officers and staff led by Mr. Healy for hosting the meeting and for making all the necessary arrangements and the warm hospitality extended to the participants. He also conveyed his gratitude to the delegates from overseas for traveling long distances to participate in the meeting, and thanked the attendees from Maldives for taking time off their busy schedules to join the discussions

The Tentative Program and other relevant information about the November Conference (e.g., hotel accommodation, registration procedure, etc.) will be issued very soon. In the meantime, members are requested to already block the dates in your calendar of events this year. Once again, the ABA is counting on members' valuable participation for the successful outcome of the annual gathering this year.

ABA Planning Committee Members Meet with Maldives' Central Bank Governor and Finance Minister

Members of the ABA Planning Committee led by ABA Chairman Mr. Daniel Wu were accompanied by Bank of Maldives Managing Director and CEO Mr. Andrew Healy and other Bank officers in meeting with Mr. Ahmed Naseer, Governor of Maldives Monetary Authority (MMA), followed by a meeting with Minister of Finance and Treasury Mr. Ahmed Munawar, on the afternoon of March 9 at the premises of MMA.

Meeting with the MMA Governor

In his brief Opening Remarks at the meeting with Governor Naseer, Chairman Wu expressed his appreciation to for meeting with the ABA delegation. He then proceeded to give a brief introduction

on the ABA and its activities. He cited the fact that Bank of Maldives is one of the most active members of the Association and that it joined ABA in 2012 and has since then been a member of the ABA Board.

Mr. Wu extended his invitation to Governor Naseer to join the 35th ABA General Meeting and Conference in November 2018, which would be hosted by Bank of Maldives. He pointed out that the November Conference is significant as it will be the first time that ABA will be holding its annual Conference in Maldives. He informed Governor Naseer that a Planning Committee Meeting took place earlier in the morning at Kurumba Resort discuss preparations for the Conference.

For his part, Governor Naseer conveyed his warm welcome to the ABA delegates, all of whom were first-time visitors to Maldives. He also expressed his strong support of the 35th ABA General Meeting and Conference to be held in Maldives in November 2018. He shared information and his valuable insights on the latest economic and banking sector developments

in Maldives, allowing the ABA delegates to get a better understanding on the country's financial market and its relevant monetary policies.

Meeting with the Finance Minister

. Following the meeting with Governor Naseer, the delegation met with Minister of Finance and Treasury Mr. Ahmed Munawar also at the MMA premises.

In his Opening Remarks, Mr. Wu pointed out that it was a big privilege for him - as Chairman of the Asian Bankers Association and as President - and certainly a great honor for the ABA delegation to have been given the opportunity to meet with Minister Munawar. In his introduction on the ABA, Mr. Wu expressed his hopes that by working with its member banks – including Bank of Maldives – as well as with the regulatory authorities such as the Finance Ministry, the ABA aims to provide a platform for the Asian banking community and governments to come together in order to help create a policy environment that is conducive to the growth not only of the banking industry but also of the economy as a whole.

Mr. Wu informed Minister Munawar that the ABA will be holding its 35th General Meeting and Conference in November 2018 in Maldives, with the Bank of Maldives as host organization, adding that it will be the first time the ABA will hold its annual gathering in Maldives He extended his invitation to Minister to attend the November Conference.

Minister Munawar thanked Mr. Wu for visiting Ministry, and for his introduction on the ABA. He conveyed his strong support of Bank of Maldives' hosting of the 35th ABA General Meeting and Conference in Maldives in November, and hoped that a big contingent of foreign bankers will be able to join the event and take advantage of their presence in Maldives to know more about the country's economy and banking sector and network with local bankers.

Mr. Munawar also briefed the visiting ABA delegation about the current economic situation in Maldives, as well as the recent trends and developments in the country's financial sector. He also shared his thoughts on the economic prospects of the country and what may lie ahead for the banking sector.

Policy Advocacy

ABA Policy Advocacy Committee Approves 2018 Work Program

The year 2018 will be another busy period for members of the ABA Policy Advocacy Committee as it lines up a number of activities included in its 2018 Work Program.

Approved during its March 8 meeting in Maldives held in conjunction with the ABA Planning Committee Meeting, the Committee's Work Program for 2018 outlined its objectives (and the activities to be undertaken to achieve them) as follows:

A. Promoting Cooperation in Cyber Security Management by:

a. Identifying and undertaking joint activities among banks aimed at information sharing and raising awareness about cyber risks and at encouraging good consumer practices

b. Supporting and facilitating the activities of innovative banks in the area of cybersecurity

c. Encouraging cooperation among banks and other financial institutions, governments, and technical-operational bodies to strengthen cyber security

d. Inviting one or two member banks to present and share experiences to date on their continuing efforts for the enhancement of technology adopted and cyber security

B. Promoting cooperation in achieving the rapid adoption of new financial technologies and attaining greater understanding of its implications for, and potential impact on, the financial industry, by:

a. Engaging government leaders on fintech regulation best practices, regional harmonization, and industry development partnerships.

b. Encouraging modernization of payment and settlement systems consistent with global best practices that enable open competitive, integrated, safe, inter-operative and efficient domestic and cross-border payments

c. Promoting open standards for cross-border data flows while also promoting best practices and use of international and regional frameworks for improving data privacy, cyber security, and other data management

d. Encouraging a sharing of experiences and perspectives on how financial institutions can use technology to serve new customers, increase productivity, and reduce costs, while at the same time managing cybersecurity threats, keeping pace with today's fast-changing technology developments, and adapting to competition from firms outside of the financial sector (e.g., inviting Tokyo Star Bank, a subsidiary of CTBC Bank in Japan, to share its new Retail Banking business model and web banking design; or inviting the Japanese Bankers Association to share its program aimed at enabling its members to rapidly adopt new financial technologies).

e. Working and sharing insights with regulatory authorities in developing a regulatory framework for cultivating the fintech development and allowing fintech players to work independently or closely together with financial institutions

C. Promoting cooperation in Islamic Banking by:

a. Encouraging cooperation among institutions involved with supervision, planning, developing and enacting legislations, laws and regulations governing Islamic banking operations

b. Encouraging cooperation among banking units within both conventional and Islamic banking systems

c. Encouraging cooperation among Islamic banking system units and supervisory bodies within their hosting countries

d. Inviting one or two ABA member banks to share their experiences in promoting cooperation among Islamic Banking and conventional banking activities (e.g., Maybank, Hatton National Bank, Bank of Maldives, and EN Bank)

D. Promoting a greater understanding of the implications of changing regulations (Basel III End Game) by:

a. Inviting industry experts from risk management consulting firm to share their views and advices regarding the implementation challenges and preparations at the 35th ABA General Meeting and Conference

b. Exchanging views and concerns among ABA member banks over the Implementation of Basel III End Game (the newly revised Standard Approach for Credit Risk announced on December 7, 2017) or so-called Basel IV rules at the 35th ABA Policy Advocacy Committee

c. Inviting one or two ABA member banks to share their strategies and/or actions to concur the overall challenges for the implementation of Basel III/Basel IV

E. Promoting greater understanding and sharing of the implementation results in the area of KYC/AML/CFT compliance by:

a. Encouraging a sharing of experiences among ABA member banks on how financial institutions face the cross-border challenges of KYC/AML/CFT compliance requirements and what actions are taken to execute the implementation throughout the organization

b. Inviting one or two ABA member banks to share their experiences in executing the cross-border implementation for KYC/AML/CFT compliance requirements

F. Promoting financial literacy in the region by:

a. Helping raise awareness of the benefits of financial education
b. Encouraging learning on financial matters and making financial education initiatives available in diversified venues and settings
c. Enhancing coordination and collaboration among stakeholders through sharing of resources, experience and good practice by one or two ABA member banks

G. Encouraging member banks to promote institutional linkages and partnerships to make micro, small and medium enterprises (MSMEs) commercially bankable through the following measures:

a. Building partnership between local business chambers of commerce and industry associations which are representative bodies of individual MSMEs and play a vital tole in building up the MSMEs that are their members;
b. Taking a lead role in creating linkages between MSMEs and the micro, small and medium professionals, particularly those in the areas of accounting and auditing, legal, process engineering, and marketing, among others;
c. Establishing and facilitating partnerships between value and supply chain entities and encouraging them to create, on the other side of their client profile, a workable framework on buy-back arrangements;
d. Taking a strategic initiative of repositioning and evolving financial products, services and solutions that can match the emerging financial needs of the MSME sector
e. Encouraging governments to put in place much-needed legal framework and regulatory mechanisms to facilitate the empowerment of MSMEs.
f. Inviting ABA Special Advisor on Financial Inclusion Mr. Chandula Abeywickrema to share the results of the ABA-endorsed project with the Durham University UK, on "South/Southeast Asian Business Society Models" focusing on sustainable SMEs.

ABA Chairman Mr. Daniel Wu has conveyed his appreciation to the members of the Policy Advocacy Committee for the excellent work they have done, and continue to do, in promoting the interest of ABA members and the banking sector of the region as a whole. He has also expressed his hopes that ABA members will remain supportive of ABA's policy advocacy efforts and that they will continue to extend their cooperation to Ms. Prudence Lin and the Committee members.

News Updates

Fitch Sees Central Banks Gaining Confidence to Tighten Policy

Central banks will become less cautious about normalizing policy as worldwide growth picks up, Fitch Ratings said.

Economists led by Brian Coulton said they expect the U.S. Federal Reserve to hike interest rates no less than seven times by the end of 2019, adding to a global path of policy normalization that could see the European Central Bank laying the ground to end quantitative easing by the end of the year and the Bank of England raising rates by 25 basis points in 2018 despite Brexit.

"Central banks are becoming less cautious about normalizing monetary policy in the face of strong growth and diminishing spare capacity," Fitch's Chief Economist Coulton said, adding that diminishing slack should cement the move toward policy tightening.

The normalization is underpinned by strong expansion, with the U.S., the euro area and China all seen growing "well above" trend in 2018, according to Fitch's forecasts. They predict world output will expand more than 3 percent through 2019, a level not seen since the mid-2000s.

The report comes as the Organization for Economic Cooperation and Development said stable economic growth among the world's biggest economies at the end of 2017 masked wide variation in performance across countries.

Gross domestic product in the Group of 20 countries grew 1 percent in the three months through December 2017, unchanged from the previous two quarters, the Paris-based OECD said on March 14. India grew the most, expanding 1.8 percent, while South Korea was the only nation to see its economy contract.

Finance chiefs of the G-20 will meet in Buenos Aires, Argentina, in late March 2018 with a U.S. decision to slap import tariffs on steel and aluminum tempering optimism over the state of the global economy. The OECD upgraded its forecast for world growth this year to close to 4 percent on March 13, but added the caveat that a trade war could roll back the gains seen in recent years.

BloombergQuint.

Central banks told to think twice before boarding Bitcoin bandwagon

Central banks should think hard about potential risks and spillovers before issuing their own cryptocurrency, the Bank for International Settlements (BIS) said in a report on March 12.

Representation of the Bitcoin virtual currency standing on the PC motherboard is seen in this illustration picture, February 3, 2018. REUTERS/Dado Ruvic/Illustration

The report by two committees at the BIS, a forum whose members include the U.S. Federal Reserve and European Central Bank, is wary of central banks issuing their own central bank digital currency, or CBDC.

"There are risks we do not fully understand at this point," said Jacqueline Loh, chair of the BIS markets committee.

"Any step towards a possible launch of a CBDC should be subject to careful and thorough consideration," added Loh, who is also deputy managing director of the Monetary Authority of Singapore.

The report looks at the possible impact of a "wholesale" digital currency only for a limited audience like banks, and a "retail" version for all.

Benoit Coeure, who chairs the BIS committee on payments and market infrastructure, said there was more caution with the "uncharted waters" of a retail CBDC.

It could impact deposits, a major source of funding for commercial banks, with implications for financial stability in times of market stress, the report said.

There was no evidence that digital currencies would allow central banks to implement monetary policy better than with tools they already have.

No bank has issued a digital currency, though the Riksbank in Sweden, where the use of cash has fallen, is studying a retail e-krona for small payments. It said in February its study won't be finalised until late 2019, later than initially indicated.

The BIS report said blockchain or the distributed ledger technology (DLT) that underpins cryptocurrencies, could make settling trades of securities and forex more efficient.

"DLT is where the action is," said Coeure, who is also an ECB executive board member.

Bank of England Governor Mark Carney said that while a CBDC needed careful consideration, a more immediate priority is how to use the new technologies to meet the current demand for fully reliable, real-time payments.

NO CONCRETE ACTION

The BIS report comes at a time when privately issued cryptocurrencies like Bitcoin have seen huge price swings to trigger stark investor warnings from regulators.

This has not crimped the sector's enthusiasm, however.

CaskCoin launched on March 12 the "first" cryptocurrency that gives investors a chance to own a share in a 40 million pound portfolio of "world class" whisky stored in a Scottish warehouse.

The BIS report is timed to inform discussion among central bankers and finance ministers from the Group of 20 Economies (G20). They meet in Buenos Aires early next week to discuss if new regulation is needed for private cryptocurrencies.

The Financial Stability Board, the G20's regulatory watchdog headed by Carney, will report on the private cryptocurrencies.

"It's clearly a learning curve and regulators across the world have addressed what are the immediate risks created by private digital tokens," Coeure said.

Investor protection along with anti-money laundering and terrorist financing safeguards are the priority, while consideration of cryptocurrencies' underlying and futures markets would come later, Coeure said.

"So any discussion in the G20 will be likely to be forward looking, discussing the pros and cons of regulation, but don't expect concrete action, it's more about comparing experiences so far," Coeure said.

Reuters

Education and Training

ABA and Oliver Wyman Jointly Hold a Successful Second Webinar

The Asian Bankers Association and Oliver Wyman held a well-received second webinar on "Overview of Advanced Analytics and Data in Risk Applications" and "Advanced Analysis and Data in Credit Applications" on March 20, 2018, with some 150 bank officers from 6 countries registering for the webinar.

The one-hour on-line course provided the participants the opportunity to delve deeper into the world of advanced analytics and gain an overview of applications of advanced analytics in risk management, illustrated with practical examples. Specifically, they were able to draw insights from the advanced analysis of data in credit applications.

Leading the discussions were Mr. Mikko Lehtonen, Engagement Manager, Oliver Wyman, and Mr. Gaurav Kwatra, Principal, Oliver Wyman. From the presentations of Mr. Lehtonen and Mr. Kwatra, the participants learned that advanced analytics, non-traditional data, natural language processing, together with process digitization, present compelling opportunities for risk management. This includes raising productivity, greater insights produced from new technology, and potentially achieving a competitive advantage in a digital world. Although cashing in on a technology dividend in this way presents a compelling prize, it will require wholesale change in current practices. Senior leadership focus and support is critical as multiple functions will need to learn new skills and change their habits.

Special Feature

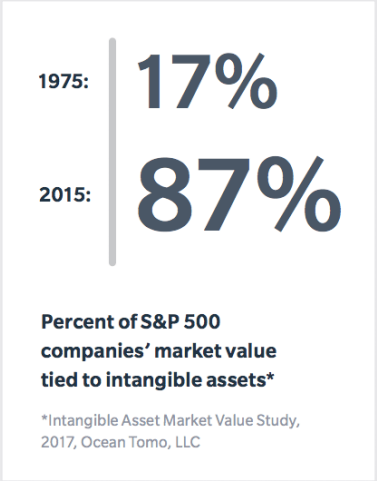
It's Time to Quantify Cyber Risk Exposure

By Tom Reagan, Cyber Practice Leader at Marsh

According to a new survey, most companies now rank cyber risk as one of their organization's top five risk management priorities. Photo: Shutterstock

The last 40 years have seen a transformation in where value lies for most organizations. In 1975, more than 80 percent of the market cap of the S&P 500 was derived from physical assets and infrastructure—plants, machinery, and heavy equipment—with the rest tied to intangibles. Today, the numbers have flipped, and market value is tied to data, intellectual property, and other technologies—the intangible assets that fuel our information economy.

Businesses are struggling to adjust to the significant shift in risk that accompanies this shift in value. Technological advances bring a near-universal vulnerability to cyberattacks, where a single incident can inflict damage in the hundreds of millions of dollars—as borne out by the NotPetya and WannaCry events of last summer. Cyber-related risks are two of the top five risks facing corporations, according to the World Economic Forum's 2018 Global Risks Report—the first time that two tech-related risks have been in the top five.



Marsh-Microsoft Cyber Perception Survey

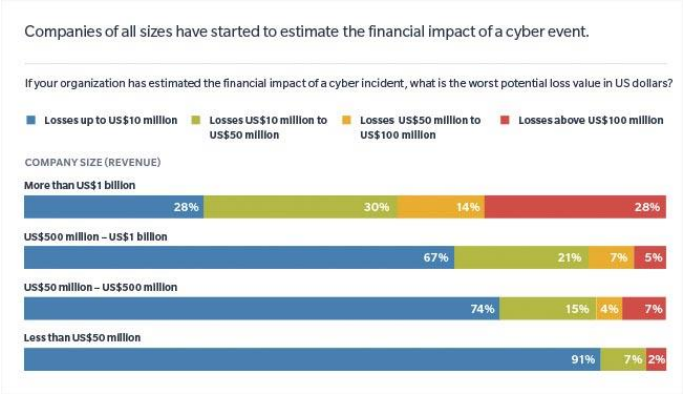
The recent Marsh-Microsoft Cyber Perception Survey shows that companies are recognizing the potentially massive impact of a cyber event more than ever. Nearly two-thirds

of survey respondents said that cyber risk is among their organization's top five risk management priorities, roughly double the number who rated cyber as such in a survey Marsh conducted in 2016.

Marsh-Microsoft Cyber Perception Survey

But despite recognizing the magnitude of the risk, few companies seem to be managing these numbers. Fewer than half of survey respondents—45 percent—said they formally estimate the financial impact of a potential cyber event as part of risk management, and only 11 percent conduct economic quantification based on estimated financial losses within a timeframe, such as value-at-risk modeling.

Among those that do quantify their cyber risk, more than 40 percent of companies with over $1 billion in revenue estimate the financial impact from an event would exceed $50 million.



Marsh-Microsoft Cyber Perception Survey

An organization needs to work as a team to effectively manage cyber risks. By sharing oversight responsibility among stakeholders—including corporate boards, C-suite executives, risk professionals, and technologists—the managerial and technological challenges presented can be reduced. However, a majority of companies are not employing a truly collaborative governance model to manage cyber risk: 70 percent of survey respondents point to their IT department as a primary owner and decision-maker around cyber-risk management, with smaller numbers citing the CEO, board, risk managers, and legal/compliance.

There is evidence that the largest firms are moving in the direction of shared cyber-risk governance; organizations with more than $5 billion in revenue were more likely to cite directors and risk management teams as among the primary owners and decision-makers than did smaller firms, possibly reflecting the resources available to larger firms.

That there is both appropriate concern about cyber risk and room for improvement in its

Marsh-Microsoft Cyber Perception Survey

management was evident among the board members in our survey population. Roughly 70 percent of respondents who identified as board members said they ranked cyber risk as a top five concern, yet only 14 percent reported that they were "highly confident" in their organization's ability to respond to a cyberattack. We also found evidence that directors may not be receiving—or perhaps understanding—the information about cyber risk that is being sent to them.

Like other major enterprise risks that face an organization, cyber threats should be managed strategically, comprehensively, and quantitatively. Proper economic quantification of an organization's cyber exposure is essential to help board members and other decision-makers understand their cyber value at risk, determine optimal investment strategies, and achieve measurable outcomes within their cyber-risk management program.

Tom Reagan

Cyber Practice Leader at Marsh

Tom Reagan is the Cyber Practice leader within Marsh's Financial and Professional Products (FINPRO) Specialty Practice. Located in Marsh's New York office, Tom oversees client advisory and placement services for cyber risk throughout the country. In addition to his management responsibilities, Tom also serves as the senior cyber advisor for some of Marsh's largest clients.

The Opportunity for Sustainable Finance in Emerging Markets

As of March 2018, Fiji and Nigeria are the only two emerging markets to have issued sovereign green bonds. They are two of just four countries globally indicating a commitment to independent sustainability policies and carbon emission reduction under the Paris Agreement. Outside of these two sovereign bonds, the big corporate issuers in emerging economies are China and Mexico with a combined green bond deal value in 2017 of US$28.8bn. China, the world's top carbon-emitter, has faced criticism about where and how the money raised is being spent. This highlights a challenging issue for the proliferation of sustainable finance in emerging markets – what specifically is classified as 'sustainable' and what official measurements are there of the outcomes?

Sustainable development is hugely expensive. The UN estimates that up to US$7tn in investment is needed each year to achieve the Sustainable Development Goals however it is certain that it will be even more expensive in the long run if we turn a blind eye. As the driving force of the worlds' economy, sustainable development across emerging markets is both critically important and likely even more expensive than in their developed market peers. In general, emerging markets lag behind developed economies in environmental stewardship as well as social and governance areas, highlighting the need for emerging markets to take an active role in the move to a more sustainable future.

There is often controversy around what is classified as sustainable or 'green'. While initiatives such as the Task Force on Climate-Related Financial Disclosures and the Sustainable Banking Network are seeking to create internationally recognised guidelines, these blueprints are ultimately still voluntary. Issues around corporate disclosure are an enormous barrier to gaining investment from institutional investors.

If the problem exists at the level in which companies are sophisticated enough to try and attract investor funds, the problem is on an unimaginable scale at the small end of the market. Small businesses applying for green loans from their bank face an uphill battle when it comes to securing the debt, assuming the bank even has a specialised product that businesses can apply for. Small businesses across all markets but particularly those in emerging markets need

knowledge and guidance that green financing is available and attainable for them.

Emerging economies have undergone rapid urbanisation and industrialisation over the past few decades at a time when developed markets have already reached their limit, leading many to place the blame for todays sustainability woes at the feet of emerging markets. Perhaps because of this, as well as a lack of legacy issues and resources leading to the need to improvise, emerging markets are taking a lead role in sustainability initiatives.

The Sustainable Banking Network, launched in 2012, is a community of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance in line with international best practice. Members including Argentina, the Philippines, Bangladesh, China, Mexico and Nigeria facilitate a global knowledge network on sustainable banking to develop regulatory guidance and national policies to support their local businesses and financial institutions.

Regulators are only one part of the solution for actionable outcomes that result in suitable capital allocation to sustainable practices in the real economy. Banks need to be more involved on a local level. JP Morgan Chase has committed US$200bn to combat climate change through sustainable policies. HSBC and BBVA have both pledged US$100bn with HSBC also reducing its funding of coal projects, Deutsche Bank and Credit Agricole have also exited coal lending however how much of this money is simply going to proven technology and large institutions in established markets rather than innovating businesses in emerging markets?

Emerging economies are a hot topic at the moment, bandied about by investors and banks as the next big growth area. Notably risk always accompanies rapid growth opportunities. As the market for sustainable finance and Environmental, Social and Governance criteria (ESG) is still developing, financial returns are still far from guaranteed. Combining the two areas, one with as yet unproven returns and the other with both known and unknown risks, it's not hard to see why most banks are hesitant at putting their PR, and funds, into practice.

At this early stage it appears a 'trickle down' approach to the adoption of sustainable investment principles will occur among small business borrowers as more pressing concerns keep them awake at night such as cash flow constraints, staffing and cybersecurity. If banks were to offer green loans at better interest rates or more favourable terms than standard debt perhaps uptake would be better, without such loan products however SMEs can only wait for solutions that have been implemented at the top end of town to filter down.

Emerging economies continue to be the next frontier for the finance industry. Initiatives such as the Sustainable Banking Network as well as sovereign and corporate green bonds issued from emerging markets indicate their appetite and interest in the area however middle

market and SME businesses are yet to engage fully. It could be a 'chicken and egg' conundrum in which no one is sure what comes first – the demand from businesses or the supply of appropriate solutions from providers. It is likely that supply will drive demand in this case, if finance is available for ESG complaint initiatives then businesses will seek it out and alter products and practices to secure the funding.

Most commercial banks have now put in place defined policy regarding their attitude and stated actions towards furthering the sustainability agenda in both developed and emerging economies. It remains to be seen who will actively work to fund real businesses and which banks are only offering platitudes for good PR.

Source: East &Partners

ABA Members Visit Bank of Maldives Headquarters

Members of the ABA Planning Committee led by ABA Chairman Mr. Daniel Wu visited the headquarters of Bank of Maldives following the Committee's meeting on March 8. The visiting delegation was given a briefing by Bank of Maldives Managing Director and CEO Mr. Andrew Healy on the history and operations of the Bank, its performance, and its future plans.

Among Member Banks

- **SBI tightens project finance, not to fund interest payments -** State Bank of India (SBI) has decided against funding interest during construction, a move that could spell further trouble for companies seeking project finance from the nation's largest lender as they cannot keep interest payment pending until projects start generating revenue. The decision is aimed at de-risking the bank's loan book, SBI chairman Rajnish Kumar told ET (Economic Times).

  In infrastructure loans, the repayment period is usually long and the chances of the work getting stuck is high. Much of the Rs 8-lakh-crore nonperforming assets that the country's lenders are sitting on are in the infrastructure sector. While staying away from funding interest during construction could cripple the fund flow to the infrastructure sector that is key to the efforts to boost economic growth, public sector banks are more focused on lessening the risk of bad loans. In fact, most banks have become averse to funding infrastructure projects.

  "We have decided that during project finance we will not fund the interest during construction," Kumar said. "It gives us space because you can bring it over the period of the time of the execution of the project, you de-risk yourself if there is a default and the project is not going anywhere — so there are many things we can do." *The Economic Times*

- **Mizuho Selected for the Research Project for Japan–Saudi Cooperation in Industry 4.0 –Contributing to Saudi–Japan Vision 2030 -** Mizuho Bank, Ltd. (President & CEO: Koji Fujiwara, hereinafter "MHBK") has been selected for the FY2017 research project sponsored by the Ministry of Economy, Trade and Industry (METI), Japan, for developing Industry 4.0 in Saudi Arabia through bilateral cooperation.

  The project will be implemented as part of the efforts to promote Saudi–Japan Vision 2030, based on which the two countries has agreed to conduct a joint research for introducing Industry 4.0 in Saudi Arabia and identifying the potential areas of synergy for joint investment.

  The research project proposed by Mizuho will be a basic feasibility study for the aforementioned bilateral cooperation. Specifically, MHBK will work with Mizuho Information & Research Institute (MHIR) to explore technological possibilities, conduct market research, and identify the areas of potential bilateral cooperation where Japan has technological advantage. *Mizuho Bank News Release*

- **BTMU inks fintech partnership to boost microfinance -** The Bank of Tokyo-Mitsubishi (BTMU) has entered a partnership with a fintech company to help improve its financing offering in Southeast Asia.

  The agreement with iAPPS, a mobile app platform, will help the bank improve its cross-border funding and money transfers, targeting agricultural, manufacturing and retail supply chains.

"We are looking at cross-border money transfer and finance as one of the initial initiatives. One of the areas we are planning on is a pilot for crowdfunded microfinance for the supply chain involving the ecosystem of traders and smallholders," Shue Heng Yip, head of digital transformation for Asia and Oceania at BTMU's parent group, MUFG, tells GTR (Global Trade Review).

"We are also looking at enabling sustainable farming practices and market reach for developing areas in Asean," he adds. *Global Trade Review*

- **Maybank gets MAS approval to acquire Singapore Unit Trusts -** Malayan Banking Bhd (Maybank) said the Monetary Authority of Singapore (MAS) has approved an application for its wholly-owned subsidiary Maybank Asset Management Group Bhd (MAMG) to acquire 100% equity interest in Singapore Unit Trusts Ltd (SUTL).

  In an exchange filing on March 7, Maybank said MAS approved applications for the acquisition as well as the proposed subscription by Permodalan Nasional Bhd (PNB) of 8.33 million shares or a 20% stake in MAMG.

  It said the approval by MAS is subject to the regulator being informed promptly when the proposals are effected.

  Last December (2017), Maybank proposed the acquisition of two PNB fund management companies, Amanah Mutual Bhd (AMB) and SUTL, for RM16.12 million and RM34.88 million, respectively. *The Edge Markets*

- **RCBC's savings unit expects higher profit -** RCBC Savings Bank, the thrift bank arm of Rizal Commercial Banking Corp., said it expects a double-digit growth in net profit this year.

  RCBC Savings president and chief executive Rommel Latinazo said in a news briefing in Makati City that the bank remained optimistic it could sustain the 34-percent expansion in net income last year (2017).

  "In 2017, we had a record 34-percent increase in net profit year-on-year to P1.35 billion. This was due to the continued expansion of our consumer loan portfolio," Latinazo said. Total loan portfolio last year went up 13 percent from 2016.

  He said around 95 percent of consumer loan portfolio was accounted for by auto loans and home loans.

  "We continue to be optimistic," Latinazo said, adding the strength of parent bank RCBC would also be positive to RCBC Savings.

  "As RCBC is eyeing a 5 to 10-percent net profit growth this year, [I think] RCBC Savings could go higher than that projection," Latinazo said.

  He said one of the strengths of RCBC Savings in terms of auto loans compared to its competitors was its established strong relationship with auto dealers nationwide. *Manila Standard*

- **Doha Bank wins 'Best Local Bank in Qatar' award -** Doha Bank has won the 'Best Local Bank in Qatar' award during the EMEA Finance Middle East Banking Awards 2017 ceremony

held recently at the Shangri-La Hotel in Dubai.

Alaga Raja, country head — UAE, Doha Bank, received the award, which celebrated the bank's contributions towards strengthening the financial landscape of Qatar.

Doha Bank CEO Dr R Seetharaman said: "Doha Bank has been at the forefront of developing leading banking solutions for our valued customers in Qatar. We have earned the reputation of being one of the leading financial institutions in the country and it comes with the responsibility of constantly evolving with changing demands and introducing in-trend products and services.

"Our responsibility is to understand customer needs in the light of fourth industrial revolution, collaborating with stakeholders and investing in research, which helps us usher in innovative solutions that empower customers to bank with convenience and safety." *Gulf Times*

- **DBS Group Holdings Ltd's inaugural AUD Basel III Tier 2 offering attracts strong interest -** DBS Group Holdings Ltd ("DBSH") has successfully priced the issue of AUD 750,000,000 Floating Rate Subordinated Notes due 2028 (the "Notes") under its USD 30 billion Global Medium Term Note Programme (the "Programme"). This is DBSH's inaugural AUD-denominated Tier 2 capital issuance, pursuant to the requirements of the Monetary Authority of Singapore ("MAS").

  Said DBS CFO Chng Sok Hui, "This is the first time DBS has accessed the Australian market for a regulatory capital offering, responding to AUD investors and favourable market conditions. This issuance further diversifies our investor base and testifies to the strong support from investors within and outside of Australia."

  The Notes will bear a quarterly coupon of 3-month Bank Bill Swap reference rate plus 1.58% per annum and may be redeemed at the option of DBSH, in whole, but not in part, on 16 March 2023 or on any interest payment date thereafter, subject to the prior approval of the MAS.

  The Notes are expected to be issued on 16 March 2018. The net proceeds from the issue of the Notes will be used for the finance and treasury activities of DBSH, including the provision of intercompany loans (or other forms of financing) to DBS Bank Ltd. and its subsidiaries. *DBS News Release*

- **Digital sales grow at Sri Lanka's Hatton National Bank -** Sri Lanka's Hatton National Bank (HNB) said revenues from digital payments were growing as customers shifted to online platforms while traditional fee and commission income was going down.

  "Fee and commission income growth of 17.9% was strongly supported by growth in fee income from digital payments and channels and trade, as business verticals worked together to maximise cross sell opportunities," the bank said in its 2017 annual report.

  Revenues from digital payment platforms and channels including cards business accounted for 30% of the total net fee and commission income of Rs 8.3 billion in 2017.

  Customers were migrating to digital platforms for transactions across retail and corporate customer segments in view of the convenience offered, the bank said.

  "This compensated for declining fee and commission income from guarantees and

loans and advances. Net fee and commission income accounted for 17.3% of net interest, fee and commission income, increasing marginally from 2016." *EconomyNext*

- **CTBC Movies Garnered Awards at the Taipei Golden Eagle Micro Movie Festival -** "The unconditional love is like a red line on a baseball ball, pulling these kids back to the mainstream society!" To celebrate its 50th anniversary and to promote the corporate image, the CTBC Financial Holding produced the film "Foul ball in the life" and the "Home Run Taiwan" documentaries, featuring a baseball team of boys in Taitung County Feng Tien Elementary School that won the prestigious world awards. Narrated in an unconventional and heartfelt manner, the movie and the documentaries reflected the current social care issues and won 5 awards including the "Best Picture" at the Taipei Golden Eagle Micro Movie Festival.

  Inspired by the continued support and the trust and confidence that the public has placed in CTBC, the movie aims to deliver the best values of Taiwan and pay the highest tribute to the unsung heroes who have labored during the past years. The movie reached 4.68 million YouTube and Facebook views in just 1.5 months, and garnered more than 40,000 shares. *CTBC International Newsletter*

- **Hua Nan Financial to increase lending to SMEs and 'five-plus-two' industries -** State-run Hua Nan Financial Holding Co aims to boost its profit margin in 2018 by diversifying its sources of income and achieving a higher capital utilization rate.

  The bank-focused conglomerate said it intends to step up lending operations for small and medium-sized enterprises (SMEs), which could account for 70 percent of its loan book and raise the bank' s interest rate spread.

  "Hua Nan Financial will shore up its legal compliance system and capital utilization rates this year, while pressing ahead with efforts to support firms in the five-plus two sectors," chairman Wu Tang-chieh told a news conference.

  Hua Nan Commercial Bank, the holding firm's main subsidiary and source of income, is to increase loans to the "five plus two" industries by NT$15 billion (US$512.12 million), in line with the Cabinet's plan to stimulate local development of an "Asian Silicon Valley," and "smart" machinery, "green" energy, biomedicine and defense industries, as well as a new agricultural business model and a circular economy. *Taipei Times*

Banking and Finance Newsbriefs

Australia

Reserve Bank of Australia leaves rates unchanged

Australia's central bank on March 6 left interest rates unchanged as its increasing policy divergence from global peers weighs on the currency, potentially aiding economic growth and inflation.

Reserve Bank of Australia (RBA) Governor Philip Lowe and his board kept the cash rate at a record-low 1.5 percent, in line with market and economists' expectations.

They are trying to prolong a hiring boom and soak up spare capacity in the labor market to generate faster wages growth.

"The low level of interest rates is continuing to support the Australian economy," Lowe said in a statement announcing the decision. "Further progress in reducing unemployment and having inflation return to target is expected, although this progress is likely to be gradual."

The local dollar was little changed at US$0.7779 at 2:34pm in Sydney.

The RBA is standing pat as developed world peers move to normalize policy or raise interest rates in response to tighter job markets and accelerating growth, as they overcome fallout from the 2008 global recession. *Bloomberg*

Hong Kong

HKMA studies possibility of establishing an academy of finance in Hong Kong

The Financial Secretary, Mr Paul Chan, announced on February 28 in the 2018-19 Budget that he has tasked the Hong Kong Monetary Authority (HKMA) to study the idea of establishing an academy of finance (AoF) in Hong Kong.

The HKMA has commissioned an Experts Group to study the feasibility of this proposition. Members of the Experts Group include Mr Anthony Neoh, former Chairman of the Securities and Futures Commission, Mr Carlson Tong, Chairman of the Securities and Futures Commission, Mr Moses Cheng, Chairman of the Insurance Authority and Mr David Eldon, former Chairman of The Hongkong and Shanghai Banking Corporation Limited.

The initial view of the Experts Group is that it seems feasible to establish an AoF in Hong Kong as a centre of excellence for financial services by bringing together the strengths of the academia, the industry, professional training institutes and regulatory community to promote financial knowledge transfer, capacity building, and applied research collaboration. *HKMA News Release*

India

Bank of India looking to bring down 'net NPA to less than 6%'

Bank of India has embarked on a programme aimed at strengthening customer relationship, a top official of the bank said.

Participating in an SME and Agri Expo organised by Bank of India's National Banking Group (South) at the Tamil Nadu Agricultural University, N Damodharan, Executive Director, Bank of India, said the bank has been conducting similar programmes across various districts to strengthen customer relationships and understand their requirements. As many as 46 beneficiaries (across segments) were given sanction letters for loans totalling ₹35 crore.

On the sidelines of the expo, he told reporters that the bank has, in the last two months, recovered ₹7,000 crore worth Standby Letters of Credit and the balance of ₹2,000-odd crore would be recovered in the next two months. (A standby letter of credit is a document issued by a bank, which serves as a guarantee — with the bank promising to pay the beneficiary.) *Business Line*

Japan

Japan central bank chief tempers talk of easy policy exit

Japan's central bank chief said on March 6 a future exit from ultra-easy monetary policy would need to be "very gradual", in comments analysts described as a bid to temper expectations about a near-term end to crisis-mode stimulus.

Bank of Japan Governor Haruhiko Kuroda startled markets in the week of February 26 when he told lawmakers that the central bank could consider exiting easy policy if his inflation target was met in fiscal 2019 as projected, remarks that sent the yen and bond yields higher.

Speaking in parliament again on March 6, he said the BOJ had the necessary tools to engineer a smooth exit from easy policy and was already brainstorming how a future stimulus exit could affect its balance sheet, but sounded caution about withdrawing too quickly.

"When the BOJ exits, it will be a very gradual process ... so as not to trigger a spike in long-term interest rates or a disruption in financial markets," Kuroda said on March 6. *Reuters*

Malaysia

Govt committed to strengthening fintech ecosystem

The government remains committed to strengthening the local financial technology (fintech) ecosystem.

Second Finance Minister Datuk Seri Johari Abdul Ghani said the government also assured that it would provide a clear and transparent economic environment and leadership to the corporate world to ensure that there will be no interruption to the digital business.

"The digital economy is now a significant contributor to the country, contributing 17.8 per cent to the country's gross domestic product (GDP) in 2016 and is on track to achieve a target of 20 per cent by 2020.

"It is our hope that continuous development in the industry will enhance the involvement of the financial industry and complement the various initiatives to increase people's income through their involvement in the digital economy," he said. *New Straits Times*

Singapore

MAS scraps $50,000 issue limit for Singapore Savings Bonds

The Monetary Authority of Singapore (MAS) has removed the $50,000 cap on the maximum amount an individual can hold of each issue of the Singapore Savings Bonds (SSB) with effect from March 1, 2018.

It said the removal of the cap will simplify the SSB programme, allowing investors to apply for a larger amount of a particular issue.

The individual limit for an investor's total SSB holdings will remain at $100,00, said MAS.

The SSB allocation mechanism will continue to ensure that the bonds are distributed as evenly as possible amongst investors, with smaller applications to be filled first in the event of

an oversubscription, said the central bank.

It noted that more than half of all SSB applications were for amounts less than S$10,000, reflecting the programme's appeal to small savers.

Over $1.9 billion of SSB have been issued to about 57,000 investors since the launch of the programme in October 2015, said the central bank. More than half of SSB investors are aged 41 and above, it added. *The Straits Times*

Taiwan

Taiwan, Poland sign MOU on financial technology cooperation

Taiwan and Poland signed a memorandum of understanding (MOU) on March 6 on cooperation in the development of financial technology.

The cooperation agreement was signed by Wellington Koo, chairman of the Financial Supervisory Commission (FSC), and Marek Chrzanowski, chairman of the Polish Financial Supervision Authority (KNF).

The MOU covers cooperation in a wide range of areas, including the establishment of an information sharing system and an innovative enterprises referral mechanism between the two supervisory agencies, as well as the introduction of innovative projects, according to the FSC. The agreement is expected to promote supervisory cooperation between the FSC and the KNF in the development of financial technology, create more opportunities for the financial technology industries in the two countries, and help these industries to explore international markets, the FSC said. *Central News Agency*

Thailand

First new banknotes featuring King out on Chakri Day

The first series of circulating banknotes to be printed during the reign of His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun will debut with three denominations on Chakri Memorial Day, April 6, 2018.

The denominations are 20-, 50- and 100-baht notes, Bank of Thailand governor Veerathai Santipraphob said.

The 500- and 1,000-baht-denominated banknotes will be in circulation on the birthday of His Majesty, which falls on July 28, 2018.

The obverse side of the banknotes depicts His Majesty wearing a Royal Thai Air Force uniform as the main portrait.

The reverse depicts portraits of two former kings in order of reign, along with images showing their royal duties.

The size and colour of the notes will remain the same as those currently in circulation to ensure a smooth changeover, he said.

Most security features are retained in the new series. A security thread is located on the front side of each note while a new moving effect is being incorporated into the 100-baht note security thread.

Bangkok Post

Uzbekistan

Uzbekistan to enter IMF's data system

Uzbekistan will introduce a system for disseminating data on the methodology and standards of the International Monetary Fund (IMF) by May 2018, the press service of the State Statistics Committee of Uzbekistan reported.

Joining the expanded General Data Dissemination System (p-GDDS) will allow foreign investors, leading foreign companies and international financial institutions, full access to various economic data in the format in which they are accustomed, and will enable to stimulate an increase in the volume of attracted foreign investment, as today many foreign investors do not trust official Uzbek statistics.

National summary data pages (NSDP) will be posted on the website of the State Statistics Committee of Uzbekistan using the "information center" for the dissemination of statistical data and metadata.

The NSDP page contains links to statistics published by official sources of data, namely the State Statistics Committee of Uzbekistan, the Central Bank and the Ministry of Finance. *AzerNews*

Vietnam

Asset quality, profitability of Vietnam banks improved: Moody's

The asset quality and profitability of 14 Vietnamese banks rated by Moody's improved moderately year-over-year, driven by robust macroeconomic conditions and growth in core income, Moody's Investors Service said on March 6.

However, the banks' capitalisation deteriorated because of rapid asset growth and cash dividends, Moody's said in the "Banks - Vietnam: 2017 results show widening divergence in asset quality and profitability performance" report, adding that the banks' funding profiles weakened mildly, as they increased their reliance on market-sensitive liabilities — mainly borrowings from other banks — to fund loan growth with cheap short-term funding sources.

"In 2018, we expect the banks will continue to improve their asset quality and profitability, while capitalisation will weaken," said Eugene Tarzimanov, a vice president and senior credit officer at Moody's.

"However, the credit profiles of banks with stronger capital buffers and lower asset risks will be further distanced from the other banks," said Rebaca Tan, a Moody's analyst. *Viet Nam News*

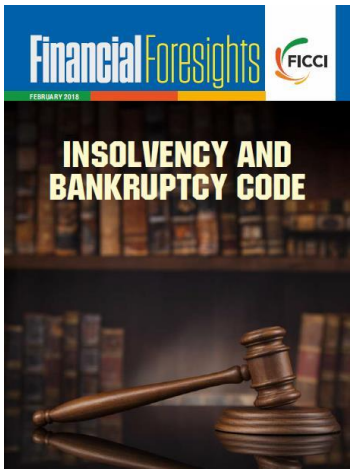
Publications

Banking and Innovation: A Review

This book summarizes the major findings of empirical studies that examine the effect of banking development on innovation and highlight their relative contributions to our understanding of the various roles the banking sector plays in determining innovation. It reassesses the effect of banking development and innovation, extending the scope of analysis to more granular dimensions of innovation and to Asian economies where financial markets are less developed. It finds that while theoretical implications are generally indefinite about the effect of banking development on innovation, empirical findings are less ambiguous given their distinct focus of sample firms and the underlying channels investigated. The development conditions of financial markets also matter in drawing implications for the effect of financial institutions on innovation. Specifically, when the stock market is relatively less developed, as in most Asian economies, banks play a significant role in financing and promoting innovation.

Contact for details: ADB Publishing
Website: www.adb.org/publications

FICCI Financial Foresights February 2018



The issue focuses on 'The Insolvency and Bankruptcy Code' and presents insightful write-ups contributed by industry leaders and experts in this domain.

The passage of the Code is a landmark step forward from the earlier regime when there was no organised resolution process and different stakeholders approached different forums to resolve the issue. Now we have a unified law with the help of which this problem can be addressed in a systemic and in a time bound manner. Although the law is still in its nascent stage, one can say that the Code is a game changer and a paradigm shift in the laws relating to Insolvency. The pro-activity in implementation of the Insolvency and Bankruptcy Code sends a clear message that resolving NPA issue is a priority for the Government.

While the Code will have several positive impacts in the years to come, it is also essential that shortcomings are corrected so that there are no impediments to its implementation. This kind of a facilitative regime will not only improve business sentiment, but will improve the ease of doing business in the country.

Contact for details: Federation of Indian Chambers of Commerce and Industry (FICCI)
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